



Coalition for Fair Energy Rates

- CFER is a non-profit association of industrial and commercial businesses who combined employ more than 25,000 people in Virginia.
- The availability, use and cost of energy play a significant role in their ability to compete in domestic and global markets.
- Ultimately CFER members seek fair and reasonable pricing for reliable energy while maintaining a utility's ability to earn a fair profit.



RATE ADJUSTMENT CLAUSES

- RACs set the cost recovery and profits for individual projects without taking into account the overall profits or losses of the utility. Considered in overall financial context the utility might not need the additional dollars at all.
- Because they are considered outside of a general rate case, they result in increased rate volatility and transfer the risk due to regulatory lag to electricity consumers.

INCENTIVES AND BONUS POINTS

- These incentives should be allowed by the commission when necessary, but should not be mandatory as the law now states.
- Adding them on top of a utility's general return on equity (ROE) mean that customers (industrial, commercial and residential) will pay substantially more than they would have under traditional regulation.
- The SCC has the authority to order a regulated utility to build necessary generation, and plants are under construction in other states without these generous bonus returns.

FLOOR ON RATEMAKING

- The artificial floor on setting returns on equity serves only to guarantee the profits of the utility and does nothing for its customers.
- In the one case decided using this method so far, the final allowed profit margin was higher than the SCC would otherwise have set.
- The method of determining the floor has nothing to do with the cost of providing electricity to Virginia's customers nor does it have anything to do with the financial structure of the utility. It is merely an average of a defined group of utilities in a prescribed region of the country.

